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30 JAN 1960

**MEMORANDUM FOR: DEPUTY DIRECTOR (PLANS)**

**SUBJECT: Current Situation in Indonesia**

1. This memorandum is for information only.

2. During the past 60 days a series of disturbing events has taken place in Indonesia which seems to reverse the previous favorable trend of events which occurred during the period June 1958 through November 1959.

3. After the initial military victories of the Indonesian Central Government over the PRRI in the spring of 1958, Indonesian-American relations were at their nadir. The United States then approved and implemented on a priority basis an extensive phased program of military aid to the Indonesian Army. This aid program seemed to be the signal for an improvement all along the line and the following events occurred which fanned the flames of optimism:

(a) The Indonesian Army issued a decree indefinitely postponing national elections which were scheduled for September 1959. The Indonesian Communist Party (PKI) would undoubtedly have benefited greatly from those elections and the fact that the Army was able to postpone them, ostensibly with Sukarno's approval, was considered a significant victory for anti-Communist forces in Indonesia.

(b) Several pro-Communist officers, including the Deputy Commander of the Djakarta Garrison, were removed from their positions and reassigned to lesser positions where they would not be in command of troops.

(c) The PKI press was banned by the Army on several occasions for inflammatory reporting.

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(d) General Nasution was appointed Minister of Defense and retained his position as Chief of Staff of the Army.

(e) Admiral Subijakto, Navy Chief of Staff, was removed and replaced by Commodore Martadinata, who was considered to be more friendly to the West and to General Nasution.

(f) The State of War was extended with the President's approval. This was considered a further indication that Sukarno approved of the increasing political role General Nasution and the Army were playing at the expense of the PKI.

(g) The President proclaimed Decree No. 10 which banned foreigners from engaging in retail trade in rural areas of Indonesia. This decree, which was obviously aimed at the Overseas Chinese who practically controlled the rural Indonesian economy, placed the Chinese People's Republic and the PKI in an extremely embarrassing and unpopular position. The anti-Chinese actions of the Army in carrying out Decree No. 10 further increased Army popularity and the PKI's defense of the Chinese was believed to have damaged PKI prestige.

4. The following events, which have all occurred since 1 December 1959, indicate that President Sukarno has become concerned with the increased power of General Nasution and the Army and has decided to balance the situation again by curbing Army power and accommodating the PKI:

(a) General Sukanto and Mohammed Jasin, pro-American, anti-Communist heads of the National Police and Mobile Brigade respectively, were dismissed by President Sukarno and replaced by ultra-nationalist officers who have since reportedly expressed anti-American sentiments on a number of occasions. Removal of Sukanto is evaluated as a victory for Sukarno over Nasution in their power struggle.

(b) Allen L. Pope, American flyer accused of aiding the Indonesian rebels, was suddenly brought to trial, apparently to offset the recent aggressive anti-Chinese Communist propaganda over the alien trader issue.

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(c) First Minister Djuanda was appointed First Deputy War Administrator. General Nasution who had been expected to be appointed to this position was appointed Second Deputy. This was regarded by many in Djakarta as a sign of decline in Nasution's influence, especially because the personal hand of Sukarno can be seen in decisions being made by the War Administrator's Office.

(d) President Sukarno appointed PKI men as Deputy Kepala Daerah (similar to the position of Vice-Governor) to four areas on Java. On two occasions high ranking Army officers from East Java and Sulawesi called on President Sukarno to object to these appointments. Sukarno not only refused to discuss the matter but ordered the officers to appoint PKI men as deputies in all areas where a PKI man was not Kepala Daerah.

(e) According to several reports President Sukarno personally ordered the Army to crack down on the anti-Communist press which had become very aggressive during the last several months.

(f) During the last week in January 1960, Sukarno reportedly began to explore the possibility of replacing Nasution as Minister of Defense, a position which Nasution holds concurrently with the positions of Minister of Security and Army Chief of Staff. Nasution is reportedly alert to Sukarno's desire to replace him as Defense Minister as well as Army Chief of Staff and will ask all Army officers serving in the Cabinet to resign if Sukarno implements his plans.

5. In addition to the gloomy trend of recent events listed above, Indonesia's steadily deteriorating economy has reached a new inflationary high. The open market rate of the Rupiah has jumped from 300 to 500 to the Dollar since the first of January. The deteriorating economic situation concurrent with Sukarno's moves against Nasution in favor of the PKI, create a situation ripe for further exploitation by the Communists. Nasution probably does not feel in a position to challenge Sukarno at this time and we may see the demise of the only anti-Communist political group in Indonesia and a concomitant veer to the left.

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Approved For Release 2006/01/31 : CIA-RDP83-00036R000200090059-6

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29 January 1960

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